

FISCAL NOTE

HB 2073 - SB 1991

March 31, 2003

SUMMARY OF BILL: Provides for changes in the structure of state government in order to fund the state budget for fiscal years 2002-03 and 2003-04.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures - \$9,987,400 (Reflected in Gov's recommended budget)

Increase State Revenues - Exceeds \$1,000,000

Other Fiscal Impact:

- **Cost Avoidance - \$26,622,800** (Reflected in Gov's recommended budget)
- **Transfer to General Fund:**
 - State-Shared Taxes - \$60,700,000** (Reflected in Gov's recommended budget)
 - Realty Transfer Taxes - \$17,500,000** (Reflected in Gov's recommended budget)

Contingency Funding Measures

- **State Employee Group Health Insurance - Authorizes reduction in employer match (each 1% reduction in match is approximately \$3,500,000 in general fund dollars)**
- **Fund Transfer Authorization - 62 reserves are identified that may be transferred to the general fund for fiscal years ending 6/30/03 and 6/30/04. The reserves had unobligated balances of \$133,700,000 as of 6/30/02; however, the Department of F&A is compiling projections on these revenues for 6/30/03.**
- **Allows the waiving of all or part of the 90 day requirement for laying off or abolishing state positions**
- **Deletes the requirement the state hold harmless local education authorities in case BEP funding may decrease from one year to the next**

Details of the above estimate are shown below:

Sections 54-57 - *Financial Institution Revenue Measure*

Expands the definition of *doing business of a financial institution* to include holding of participation loans in which more than one lender is a creditor to a common borrower. Purpose of the change is to prevent some financial institutions from avoiding their franchise and excise tax. This removes a banking loophole in the F&E taxes by bringing certain investment portfolio income back into the tax base and increases state revenues in an amount greater than \$1,000,000.

Base Budget Reductions (either reductions or replacing general fund dollars with other revenue sources)

<u>Section</u>	<u>Description</u>	<u>Amount</u>
1	Federal Funds Registry Website	\$ 75,000
12-13	Sick Bank Administrative Fees	85,500
14	Comptroller Audit Fees	1,950,000
16	RHA Reimbursement Program	525,100
18	Workers Compensation Fraud Unit	499,800
19	Tobacco Growers Fund	54,000
27	Veterans Affairs Office Closure	238,400
28-37	TN Preparatory School Closure	5,098,800
38	Safekeeping Charges for Prisoners	753,100
41	Arts Commission (allocation of revenues derived by specialty earmarked license plates)	393,600
67-69	Health Program Reductions:	
	Osteoporosis	108,900
	Epilepsy	205,200
		<u>\$9,987,400</u>

Cost Avoidances

<u>Section</u>	<u>Description</u>	<u>Amount</u>
2	State Trooper Salaries	\$667,300
3-5	District Attorney Salaries	304,000
7-8	Public Defenders Salaries	246,000
9	Longevity for DAs & PDs	490,800
15	Reserve Revenue Suspension	18,100,000
17	Post-Conviction Defender Salaries	14,900
21	License Tag Renewal (Transfer from Hwy Fund to General Fund)	5,900,000
70	TWRA Salaries	899,800
		<u>\$26,622,800</u>

Transfer to General Fund

State-Shared Taxes

<u>Section</u>	<u>Description</u>	<u>Amount</u>
22	Wine & Spirits Tax	\$486,000
23-25	Mixed Drink Tax	1,710,000
26	Beer Tax	288,000
42-44	Hall Income Tax	4,518,000
45-46	Gas Tax	20,214,000
47&49	Motor Fuel & Liquefied Gas Taxes	3,897,000
48	Gas Inspection Tax	1,080,000
58	Banking Excise Tax	1,494,000
59-62	Sales & Use Tax	19,629,000
63	Coal Severance Tax	72,000
64-66	Gross Receipts (TVA)	<u>7,299,000</u>
		\$60,700,000 (rounded)

Realty Transfer Taxes

<u>Section</u>	<u>Description</u>	<u>Amount</u>
50-53	Wetland Acquisition Fund, Local Park Acquisition Fund, State Land Acquisition Fund, Agricultural Resource Fund	\$17,500,000

Contingency Funding Measures

State Employee Co-Payment of Insurance

Section 10 Allows the Commissioner of Finance and Administration, by rules and regulations, to modify the co-pay the state must pay on behalf of employee's basic group insurance plan. Each 1% reduction in match is approximately \$5,200,000, of which \$3,500,000 is general fund revenue.

Fund Transfer Authorization - Section 71

Listed below are the funds that may be transferred to the General Fund and which had reserves exceeding \$1,000,000 at June 30, 2002:

<u>Reserve</u>	<u>Balance 6/30/02</u>
Parole & Probation Supervision Fees	\$ 8,665,000
Safety - Titling & Registration	13,470,000
Health - Alcohol & Drug Addiction	6,034,000
Health - Traumatic Brain Injury	1,080,000
F&A - Electronic Fingerprinting	1,445,000
TBI - Background Checks	1,462,000
TACIR - Unencumbered Balance	2,976,000
Safe Schools Program -Unencumbered Balance	4,157,000
Special Schools - Unencumbered Balance	3,539,000
Fraud & Economic Crimes Fund	2,140,000
Emergency Communication Fund	2,000,000
TRA Public Utilities/TRA Telecomm Device Distribution Program(TDD)	3,786,000
State Board of Accountancy	1,150,000
Agriculture Regulatory Fund	3,953,000
Hazardous Waste Fund	6,171,000
Division of Regulatory Boards	6,014,000
Solid Waste	7,939,000
Used Oil Collection	4,365,000
Drycleaner Environmental Response Fund	5,207,000
Minority-Owned Telecom Business	11,310,000
Real Estate Education & Recovery - Claims	2,480,000
Railroad Inspection Fees	1,149,000

Utility Relocation Loan Program	3,288,000
Environmental Protection Fund	10,233,000
Employment Security Special Admin Fund	2,229,000
Insurance Fees	2,151,000
Reserve for Casualty Losses	6,356,000
Health Related Regulatory Boards	<u>2,185,000</u>
	\$126,934,000

The above reserves represent approximately 95% of the unobligated balance of \$133,700,000 for those identified reserves listed in the bill as of 6/30/02.

Lay Off Notice

Section 11 - Allows the waiving all or part of the 90 day requirement for laying off or abolishing state positions, the determination of the waiver of these requirements is decided by the Commissioner of Finance and Administration.

BEP - Hold Harmless

Sections 39-40 - Deletes the requirement the state hold harmless local education authorities in case BEP funding may decrease from one year to the next.

For information purposes, it should be noted that the above fiscal impact reflects statutory changes required to assist in funding the budget for FY02-03 and FY03-04. Other funds needed to balance the budgets are not shown in this fiscal note if a statutory change is not needed in order to obtain such funds.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director